

**Staffordshire Moorlands
District Council**

Development Capacity Study
Stage 3: Affordable Housing Policy Appraisal
Final Report
March 2009

Halcrow Group Limited

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1 Introduction

1.1 ***Purpose of the Study***

1.1.1 Halcrow Group Ltd was commissioned by Staffordshire Moorlands District Council to appraise the potential impact of any changes to the affordable housing policy resulting from the Local Development Framework preparation process on development viability.

1.1.2 The current policy in the adopted Supplementary Planning Guidance requires residential development of 15 dwellings (0.5 hectares) or more to provide 33% affordable housing on-site from all sources. Building on the existing viability model developed as part of the Stage 2 work of the Development Capacity Study, the key purpose of the study is to test whether changes in the affordable housing contributions under varied conditions can either maintain or improve development viability of the District's housing land supply.

1.1.3 The remainder of this report presents a brief synopsis of our approach, the findings of the analysis and recommendations for the District's future affordable housing policy.

1.2 ***Study Approach***

1.2.1 The brief requires the study to investigate a range of scenarios in order to examine the effect of the following potential changes:

- Increasing the proportion of affordable housing on all sites from 33% to 50%
- Increasing the proportion of affordable housing on all sites from 33% to 100%
- Reducing the threshold from sites of 15 dwellings (0.5 hectares) or more to sites of 5 dwellings or more
- Reducing the threshold from sites of 15 dwellings (0.5 hectares) or more to any sites coming forward as a housing development
- Requiring all housing sites below the current, or any new thresholds, to make a financial contribution towards meeting the affordable housing needs of the local area.

1.2.2 Given the prevailing housing market slow down and projected short to medium term trends, it is likely that any upward shifts in affordable housing requirements will deter development. Further, adhering to the limitations of the viability model

prepared as part of Stage 2 of the Development Capacity Study¹, the adopted approach for this assignment, as agreed with the District Council, was to test the level of feasible affordable housing contribution in each of the residential settlements (by different types of developable land) under the six core different social infrastructure scenarios noted below:

- All tariffs are charged for any proposed housing developments
- No contribution is sought from the developer for education provision
- No contribution is sought from the developer for health facilities
- No contribution is sought from the developer for provision of emergency services
- No contribution is sought from the developer for public art
- Developer contribution is only sought for provision of leisure services / open space.

1.2.3

Analysis across the above scenarios will also provide evidence on viable economies of scale and consequences of changing the threshold levels. Such analysis will also inform conclusions for alternative mechanisms to seek developer contributions towards provision of affordable housing. In addition, if necessary, it will provide recommendations on different development routes, e.g. Registered Social Landlords as lead developers, to increase the provision of affordable housing locally.

¹ Stage 1 of the Development Capacity Study assessed the physical and social infrastructure conditions of the housing land supply for each key residential settlement in the District. The study also provides a disaggregation of housing land supply in terms of availability of brownfield, greenfield and mill conversion land by each residential settlement.

The viability model developed as part of the Stage 2 work of the Development Capacity Study incorporates the findings of the Stage 1 analysis to establish strategic cost assumptions by type of land and residential settlement. The value assumptions in the model are based on prevailing house prices (new build: typical family home or apartments) and land values (type of land: greenfield and brownfield) for each residential settlement in the District. The value assumptions were based on consultations carried out in August 2008 with property agents active in the District.

Also worth noting is that the model appraises viability at a strategic current prices level, rather than detailed net present value analysis incorporating detailed assumptions on development mix, site abnormalities, off site infrastructure requirement etc.

*1.3****Structure of the Report****1.3.1*

The layout of this report reflects the purpose of the study and adopted approach. Chapter 2 presents the findings of the analysis across the core developer contribution scenarios and the impact they have on the level of feasible affordable housing provision in each major residential settlement in the District. These results are synthesised and presented as guidance on the way forward for Staffordshire Moorlands' future affordable housing policy in Chapter 3.

2

Testing Affordable Housing Feasibility

2.1

2.1.1

Introduction

This Chapter presents a summary analysis on the level of feasible affordable housing contribution in each of the residential settlements (by different types of developable land) for the following six core different social infrastructure scenarios:

- All tariffs are charged for any proposed housing developments
- No contribution is sought from the developer for education provision
- No contribution is sought from the developer for health facilities
- No contribution is sought from the developer for provision of emergency services
- No contribution is sought from the developer for public art
- Developer contribution is only sought for provision of leisure services / open space.

2.1.2

As stated earlier in this document, the analysis presented in the remainder of this Chapter is based on the viability model prepared as part of Stage 2 of the Development Capacity Study.

2.2

2.2.1

Alton

With regards to the current provision of community facilities in Alton, developers could consider building up to 25% of the units as affordable on brownfield sites if the local authority only charged the leisure tariff for housing developments. The proportion decreases by around 5% if all tariffs are charged. Of all the charges, the education tariff significantly reduces the deliverability of affordable housing, followed by health and public art.

2.2.2

The proportion of affordable housing would be increased to some 50% for greenfield developments if only the leisure tariff is charged (Scenario 6) and around 45% if all charges are included (Scenario 1). It is noteworthy that there would be little change in the deliverability of affordable housing on greenfield sites in Alton if the education tariff was levied.

2.2.3

The proportion of feasible affordable housing units is slightly less for Mill Conversions, where developers would be able to provide around 30% as affordable if all social infrastructure charges are applied. The proportion increases

marginally if only the leisure service provision is charged. As a result, in the case of Mill Conversions in Alton, there are only minor differences in the feasibility of affordable housing provision across the various scenarios.

2.3

Biddulph and Biddulph Moor

2.3.1

In this settlement, the analysis suggests that it would be unfeasible for developers to provide affordable housing units on brownfield sites if they are charged all tariffs. However, if only the leisure tariff is charged, some 5% of developments could be built as affordable housing units. This would be the only feasible option in this case.

2.3.2

With regard to greenfield sites, developers could build up to some 30% as affordable housing units at the full social infrastructure rate. This increases to around 40% if the local authority charges the leisure tariff only. Similar to Alton, education and health charges considerably reduce the proportion of affordable housing deliverability. In this location no Mill Conversions are available.

2.4

Blythe Bridge

2.4.1

In Blythe Bridge, the proportion of affordable housing that developers could consider building is the following within the respective types of sites:

- Brownfield Sites: 5%
- Greenfield Sites: 40%
- Mill Conversions: 20%

This is consistent for all infrastructure rates.

2.5

Brown Edge

2.5.1

In this settlement, the provision of affordable housing is unfeasible on brownfield sites, except when the leisure tariff is applied. In this case the proportion of affordable housing would be only marginal.

2.5.2

In terms of greenfield sites, some 35% of affordable housing could feasibly be developed in this location at the leisure tariff. However, if all tariffs are applied, the proportion decreases to around 30%, which is the same level as if education is excluded. Further, if the local authority does not apply the health tariff, the proportion of affordable housing is slightly lower than for the leisure charge only.

2.5.3

There are no Mill Conversion sites available for affordable housing development at this location.

2.6
2.6.1

Caverswell and Cookshill

With regard to the current community facilities provision in Caverswell and Cookshill, deliverability of affordable housing is only applicable to greenfield sites as there are no brownfield sites or Mill Conversion sites available. For greenfield sites, the proportion of affordable housing that developers could consider building is around 35% if all tariffs are charged, and around 35% to 40% if only the leisure charge applies. Apart from the abovementioned scenarios, there is little change in the deliverability of affordable housing at greenfield sites in Caverswell and Cookshill.

2.7
2.7.1

Cheadle

Affordable housing development is currently undeliverable on brownfield sites in Cheadle. As there are no Mill Conversion sites available for development, greenfield sites are the only type of land available for affordable housing in this area. Here developers could consider building up to around a third of all units as affordable if only the leisure tariff is charged. Only the exclusion of health tariffs approaches nearly the same level of deliverability. The proportion decreases by around 4% if all tariffs are charged, resulting in the same proportion as if education charges were excluded.

2.8
2.8.1

Cheddleton

The scenario in Cheddleton is roughly similar to the one in Cheadle. With Mill Conversions unavailable and affordable housing development unfeasible on brownfield sites, developers may only consider greenfield site development for affordable housing. The proportion that developers could consider building is around 30% if they are charged all tariffs, or all but the educational tariff. If solely the leisure tariff is charged, around 35% of units could be developed as affordable, only slightly more than if the health tariff is excluded. In addition, the exclusion of other charges for community services leads to minor changes only.

2.9
2.9.1

Endon

Considering the present provision of community service facilities in Endon, deliverability of affordable housing units is around 10% on brownfield sites if developers are charged all social infrastructure tariffs. The proportion increases significantly to around 20% if only the leisure tariff is applied. In addition, the exclusion of education services from the rest of the charges for community facilities leads to an increase in deliverability of around 8%. The second highest increase in the proportion of affordable housing on brownfield sites in Endon would be feasible if solely health service charges are excluded, while the exclusion of charges for other community services would only lead to minor increases.

- 2.9.2 For greenfield sites, the proportion of affordable housing that developers could consider building is around 40%, if all tariffs are charged, and around 50% if solely the leisure charge applies. Similar to other locations mentioned above, education and health charges considerably reduce the proportion of affordable housing deliverability in greenfield sites. The exclusion of charges for emergency services or public art would not result in an increase in deliverability. In this location no Mill Conversions are available.
- 2.10 ***Ipstones***
 2.10.1 The present availability of community facilities in Ipstones results in some 25% of units that could be developed as affordable on brownfield sites in this location. This is roughly the same for all other scenarios, except the exclusion of all but the leisure charge, which increases deliverability by around 2%.
- 2.10.2 With regard to greenfield sites, the proportion of feasible affordable housing is equal for all charges (around 50%). There are no Mill Conversion sites available for affordable housing development at this location.
- 2.11 ***Kingsley***
 2.11.1 In this settlement, developers could consider building up to some 20% of housing units as affordable in brownfield sites if all charges are applied, which is the same proportion if the education or emergency tariffs are excluded. This rate increases to some 25% if only the leisure tariff is charged.
- 2.11.2 Deliverability in greenfield sites and Mill Conversion sites equal to the one in Ipstones. It is constant in all scenarios for greenfield sites while no Mill Conversions are available.
- 2.12 ***Leek***
 2.12.1 Considering the current provision of community facilities in Leek, only a marginal proportion of housing units can be considered affordable on brownfield sites if the local authority charges all tariffs. If solely the leisure tariff is charged, around 5% of units could be developed as affordable, which is similar to the scenario if health or public art charges are excluded.
- 2.12.2 The proportion of affordable housing would be increased to some 40% for greenfield developments if only the leisure tariff is charged. There is only a minor change in deliverability if charges for all community facilities apply.

2.12.3 With regards to Mill Conversions, developers could consider constructing some 25% to 30% of units as affordable if all charges are applied. Similar to the other types of sites, an exclusion of the other charges results only in minor variations.

2.13 ***Oakamoor***

2.13.1 In Oakamoor, the proportion of affordable housing that developers could consider building is constant at all tariffs on greenfield sites (50%). Mill Conversions and brownfield sites are not available at this location.

2.14 ***Upper Tean***

2.14.1 In this settlement, affordable housing development is currently undeliverable on brownfield sites. Further, as there are no Mill Conversion sites available for development, greenfield sites are the only option that can be considered for affordable housing in this area. Here, the proportion of affordable housing that developers could consider building is around 30%, if all tariffs are charged, and around 35% if only the leisure charge applies. Similar to the situation in Alton, of all the charges, the education tariff significantly reduces the deliverability of affordable housing, followed by public art.

2.15 ***Warrington and Cellarhead***

2.15.1 The present availability of community facilities in Warrington and Cellarhead results in a percentage of some 5% of units that could be developed as affordable on brownfield sites in this location. This is roughly the same for all other scenarios, except the exclusion of all but the leisure charge, which increases deliverability to some 10%. In terms of greenfield sites, the proportion of feasible affordable housing is constant at around 40%, with the only exception being the local authority solely charging for leisure facilities, where developers would be able to provide between 40% and 45% as affordable. In Warrington and Cellarhead no Mill Conversions are available.

2.16 ***Waterhouses***

2.16.1 The proportion of deliverable affordable housing on brownfield sites in Waterhouses is around 20%, assuming the local authority charges all tariffs for the provision of community services. Again, by reducing the total charge by the one attributable to education, deliverability is increased significantly. Further, if solely leisure services are charged, deliverability increases to around 25% in this location.

2.16.2 With regard to greenfield sites, the proportion of affordable housing would be increased to some 50% for greenfield developments if only the leisure tariff is charged. The proportion that developers could consider building is slightly less, between 45% and 50% if they are charged all tariffs. In addition, the exclusion of

the other charges for community services leads to minor changes only, with education representing the largest factor that influences deliverability.

2.16.3

In Waterhouses no Mill Conversions are available.

3

The Way Forward

3.1

Introduction

3.1.1

The brief highlights that future policies on affordable housing targets should aim to ensure that the supply of available land is not unduly affected by insufficient incentives for land owners and developers. This approach is particularly important in the current context of housing market slowdown, where ambitious affordable housing objectives may result in disincentives for the potential land owners and developers, limiting housing development in the District in the short to medium term.

3.1.2

As mentioned earlier in this document, the analysis carried out as part of this study is based on cost and value assumptions at settlement level and does not entirely reflect the complexities of individual sites. Hence, the conclusions presented in this section should be viewed as guidance offering direction to the District's future affordable housing policy, rather than recommendations set in stone.

3.2

Conclusions

3.2.1

The section presents the key findings of the study across the requirements set out in the brief and summarised in 'Section 1.2: Study Approach' of this document:

- ***Increasing the proportion of affordable housing on all sites from 33% to 50%:*** Given the findings of the analysis (based on August 2008 cost and value assumptions), it is appropriate to infer that 50% affordable housing provision is likely to be feasible on large greenfield sites across the District. The scale of the development to achieve economies of scale, timing of the development to at least reach the August 2008 prices and adequate existing provision of social infrastructure will be the key factors for achieving such high levels of affordable housing. Alternatively, promoting land owners to actively work in partnership with Registered Social Landlords (RSLs) at pre development stages can facilitate development sites to make higher affordable housing contributions than the current 33% target.
- ***Increasing the proportion of affordable housing on all sites from 33% to 100%:*** The private sector operates with two core objectives of maintaining a positive cash flow and profitability. Hence, it is highly unlikely for the District to achieve this scenario under open market conditions. However, as mentioned earlier, active RSL participation in Staffordshire Moorlands' housing market can facilitate individual sites to make higher affordable housing contributions than the current 33% target, potentially up to 100%.

- The Council's emerging new affordable housing policy (Policy H2 – Affordable and Local Housing Needs) suggests a 'target' of 40% affordable housing (subject to negotiations on reduced developer contributions for other social infrastructure elements) in towns and 50% in villages. This is broadly inline with the findings of this study.
- ***Reducing the threshold from sites of 15 dwellings (0.5 hectares) or more to sites of 5 dwellings or more:*** The analysis demonstrates that there would not be sufficient economies of scale for house builders to profitably deliver the smaller spectrum of development schemes. In particular, small schemes (less than 15 units) will struggle to offset affordable housing contributions in the form of 33% of total dwellings. However, in saying that, it is recognised that PPS3 advises that Local Planning Authorities can set lower minimum thresholds than 15 dwellings, where viable and practicable, including in rural areas. The findings of the strategic viability assessment suggest that low thresholds could be achieved in rural areas. However, such policies should promote affordable housing for local residents to meet the local needs.
- ***Reducing the threshold from sites of 15 dwellings (0.5 hectares) or more to any sites coming forward as a housing development:*** As highlighted above, the analysis suggests that small housing development schemes of less than 15 units are unlikely to be profitable with a 33% affordable housing contribution, particularly in the current market conditions.
- ***Requiring all housing sites below the current or any new thresholds to make a financial contribution towards meeting the affordable housing needs of the local area:*** In the current economic climate, any significant increases in the affordable housing contributions or changes in thresholds will impact negatively on the development viability of the District's housing land supply. This can stem the development rate over the medium term. However, working in partnership with land owners and house builders, the Council could transparently agree a nominal financial contribution on a site by site basis. It has not been possible to determine the level and timing of such financial contributions, not least because these inferences will form part of individual negotiations which would reflect the prevailing market conditions, contributions to infrastructure provision and site abnormalities.